



TOWNSHIP OF McMILLAN - EWEN, MICHIGAN
(Ontonagon)
AUDITED FINANCIAL STATEMENTS
66-1080
March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of McMillan	County Ontonagon
Audit Date March 31, 2004	Opinion Date August 25, 2004	Date Accountant Report Submitted to State: September 28, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).	X		
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Jon J. Tomasi, CPA			
Street Address 208 Birch Street	City Bergland	State MI	ZIP 49910
Accountant Signature <i>Jon J. Tomasi, CPA</i>			

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Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

I have audited the accompanying general purpose financial statements of McMillan Township, as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the McMillan Township's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the McMillan Township, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated August 25, 2004, on my consideration of McMillan Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with the report in considering the results of my audit.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the McMillan Township. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

J. J. Toman

Certified Public Accountant
Bergland, Michigan
August 25, 2004

GENERAL
PURPOSE
FINANCIAL
STATEMENTS

COMBINED BALANCE SHEET-
TOWNSHIP OF
March 31,

	Governmental Fund Types	
	General	Special Revenue
ASSETS		
Cash		
Savings Certificate	\$16,147	\$404
Deliquent Taxes Receivable		16,000
Accounts Receivable	6,517	
Due from Other Funds	1,419	
Utility Plant in Service, Net	804	
General Fixed Assets		
Construction in Progress		
Amounts to be Provided for Retirement of General Long-Term Debt		
Restricted Cash		
	<u>\$24,887</u>	<u>\$16,404</u>

See Notes to Financial Statements

ALL FUND TYPES AND ACCOUNT GROUPS
McMILLAN

2004

Fiduciary Fund Type		Account Groups			Totals (Memorandum Only)
Proprietary Fund Type Enterprise	Tax Collection Fund	General Fixed Assets	General Long Term Debt		
\$124,661	\$804				\$142,016
					16,000
36,845					6,517
16,861					38,264
3,022,814					17,665
		451,411			3,022,814
34,000					451,411
					34,000
71,558				263	263
					71,558
\$3,306,739	\$804	\$451,411		\$263	\$3,800,508

COMBINED BALANCE SHEET -
TOWNSHIP OF
March

Governmental Fund Types

General Special
Revenue

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts Payable	\$34,090	
Payroll and Related Withholdings	3,005	
Interest		
Due Other Funds		
Revenue Bonds Payable		
Capital Lease		
Accrued Sick Leave Benefits		
Deferred Revenue		
	3,187	

Total Liabilities

40,282

FUND EQUITY:

Investment in General Fixed Assets

Contributions in Aid of Construction:

Capital Grants

Less Amounts Amortized into Operations

Township Contributions

Retained Earnings

Fund Balance (Deficit)

(15,395)

16,404

Total Fund Equity

(15,395)

16,404

\$24,887

\$16,404

=====

See Notes to Financial Statements

ALL FUND TYPES AND ACCOUNT GROUPS

McMILLAN

31, 2004

Fiduciary Fund Type		Account Groups			Totals (Memorandum Only)
Proprietary Fund Type Enterprise	Tax Collection Fund	General Fixed Assets	General Long Term Debt		
\$40,012					\$74,102
193					3,198
12,260					12,260
16,861	804				17,665
886,000					886,000
			263		263
					3,187
955,326	804		263		996,675
		451,411			451,411
2,263,499					2,263,499
319,221					319,221
1,944,278					1,944,278
22,733					22,733
1,967,011					1,967,011
384,402					384,402
					1,009
2,351,413		451,411			2,803,833
\$3,306,739	\$804	\$451,411	\$263		\$3,800,508

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ALL GOVERNMENTAL FUND TYPES
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

	Governmental General	Fund Types Special Revenue	Totals (Memorandum Only)
REVENUES			
Taxes	\$69,786		\$69,786
License and Permits	2,297		2,297
State Grants	51,431		51,431
Federal Grants			
Charges for Services	2,235		2,235
Fines and Forfeits	23,183		23,183
Interest and Rents	600	\$762	1,362
Other Revenue	5,805		5,805
	155,337	762	156,099
EXPENDITURES			
Legislative	2,100		2,100
General Government	41,769		41,769
Public Safety	25,289		25,289
Public Works	46,080		46,080
Recreation and Cultural	30,880		30,880
Other Functions	13,476	760	14,236
	159,594	760	160,354
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,257)	2	(4,255)
Fund Balance at April 1, 2003	(11,138)	16,402	5,264
FUND BALANCE AT MARCH 31, 2004	(\$15,395)	\$16,404	\$1,009

See Notes to Financial Statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
ALL GOVERNMENT
TOWNSHIP OF
Year ended

	General Fund		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Taxes			
License and Permits	64,000	69,786	5,786
State Grants	1,890	2,297	407
Federal Grants	52,000	51,431	(569)
Charges for Services			
Fines and Forfeits	2,000	2,235	235
Interest and Rents	28,000	23,183	(4,817)
Other Revenues		600	600
	2,800	5,805	3,005
	150,690	155,337	4,647
EXPENDITURES			
Legislative			
General Government	1,800	2,100	(300)
Public Safety	40,800	41,769	(969)
Public Works	23,600	25,289	(1,689)
Recreation and Cultural	32,200	46,080	(13,880)
Other Functions	29,000	30,880	(1,880)
	11,000	13,476	(2,476)
	138,400	159,594	(21,194)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	12,290	(4,257)	(16,547)
Fund Balance at April 1, 2003	(11,138)	(11,138)	
FUND BALANCE (DEFICIT) AT MARCH 31, 2004			
	\$1,152	(\$15,395)	(\$16,547)

See Notes to Financial Statements

CHANGES IN FUND BALANCE AND COMPARISON WITH BUDGET

FUND TYPES

McMILLAN

March 31, 2004

Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
			64,000	69,786	5,786
			1,890	2,297	407
			52,000	51,431	(569)
			2,000	2,235	235
700	762	62	28,000	23,183	(4,817)
			700	1,362	662
			2,800	5,805	3,005
700	762	62	151,390	156,099	4,709
			1,800	2,100	(300)
			40,800	41,769	(969)
			23,600	25,289	(1,689)
			32,200	46,080	(13,880)
700	760	(60)	29,000	30,880	(1,880)
			11,700	14,236	(2,536)
700	760	(60)	139,100	160,354	(21,254)
	2	2	12,290	(4,255)	(16,545)
16,402	16,402		5,264	5,264	
\$16,402	\$16,404	\$2	\$17,554	\$1,009	(\$16,545)

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

	Enterprise Funds
Operating Revenues	\$135,716
Operating Expenses:	
Salaries and Wages	18,037
Employee Benefits	1,380
Supplies	9,462
Repairs	6,449
Outside Services	8,001
Utilities	12,618
Provision for Depreciation	57,314
Insurance and Bonds	8,510
Collection Fees	156
Travel	522
Other	1,687
	124,136
OPERATING INCOME	11,580
Other Income:	
Interest Earned	409
	11,989
Other deduction - interest on long-term debt	34,547
NET INCOME (LOSS)	(22,558)
Add depreciation on utility plant assets acquired by externally restricted grants	32,789
INCREASE IN RETAINED EARNINGS	
Retained Earnings at April 1, 2003	10,231
	374,171
RETAINED EARNINGS AT MARCH 31, 2004	\$384,402

See Notes to Financial Statements.

COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPE
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

<hr/>		
Cash flows from operating activities:		
Cash received from customers		\$188,624
Hydrant rental		3,600
Other income		
Cash paid to suppliers for goods and services and Internal cash adjustment		108,882
		<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES		83,342
Cash flows from capital and related financial activities:		
Construction Grant	912,361	
Proceeds from Borrowing	464,000	
Principle Paid on Revenue Bonds	(13,500)	
Principle Paid on Note Payable		
Interest Paid	(34,547)	
Construcion of Utility Plant	(1,313,965)	14,349
		<hr/>
Cash flows from investing activities- interest earned		409
		<hr/>
	NET INCREASE IN CASH	98,100
		<hr/>
Cash at Beginning of Year		98,119
		<hr/>
	CASH AT END OF YEAR	\$196,219
		=====

COMBINED STATEMENT OF CASH FLOWS-ALL PROPRIETARY FUND TYPES (CONTINUED)
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating Income		11,580
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	57,314	
(Increase) Decrease in Current Assets:		
Customer Accounts Receivable	1,850	
Due from General Fund	63,776	
Increase (Decrease) in Current Liabilities:		
Accounts Payable	30,169	
Payroll and Related W/H	37	
Due Other Funds/Interfund adjustment	(88,353)	
Deferred Revenue		
Interest Payable	6,969	
		71,762
NET CASH PROVIDED BY OPERATING ACTIVITIES		\$83,342
		=====

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF McMILLAN
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of McMillan operates with an elected board of trustees, which includes a supervisor, clerk, and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, culture and recreation, zoning and general administrative services. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service, and special financing relationships. There are no organizations which must be considered for inclusion in the statements based on these criteria.

Basis of Presentation - Fund Accounting

The Township used funds and account groups to report its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types", as follows:

GOVERNMENTAL FUNDS

General Fund-The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, and other intergovernmental revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - Fund Accounting (Continued)

Special Revenue Funds-The Special Revenue Funds are used by the Township to account for the proceeds of specific revenues (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Lewis Jensen Cemetery Trust Fund accounts for monies to be used for maintenance of a grave in the cemetery.

PROPRIETARY FUND

Enterprise Funds-The Water Fund and Sewer Fund are used to account for operation of the water and sewage systems in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUND

Tax Collection Fund-The Tax Collection Fund is used to account for property taxes collected by the Township in a trustee capacity for other governmental units and/or funds. This fund is custodial in nature and does not involve measurement of results of operations.

ACCOUNT GROUP

General Fixed Asset Account Group-The General Fixed Asset Account Group presents fixed assets of the Township utilized in its general operation (nonproprietary fund fixed assets).

General Long-Term Debt Account Group-this account group represents the balance of general obligation long-term debt which is not recorded in the proprietary Fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

The accrual basis of accounting is used by the Proprietary Funds. The modified accrual basis of accounting is used by all Governmental Funds, and the Tax Collection Fund. Revenue and other sources are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Modifications from the accrual basis are as follows:

1. Property tax revenues are recognized in accordance with MCGAA Statement 3. Property taxes are levied in December for the fiscal year beginning the previous April 1.
2. Interest income on special assessments receivable is not accrued until its due date.
3. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
4. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Budgets

The Township follows these procedures in establishing the data reflected in the financial statements:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain taxpayers' comments.
3. Prior to April 1, the budget is legally enacted at the annual meeting by Township Board approval.
4. Any revisions to the budgeted amounts must be approved by the Township Board.
5. The budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts are as originally adopted. No amendments were made by the Township Board.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Credit is extended to customers of the Enterprise Funds. All receivables are reported at their gross value.

No allowance for uncollectible accounts is included in the financial statements as uncollectible accounts are few. Annually, the Township adds delinquent accounts to its tax roll for collection.

Inventories

Inventories are valued at cost.

Restricted Assets

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for repairs and maintenance of the utility system.

Cash Equivalents

For the purpose of the statement of cash flows, the Township considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, and as roads, sidewalks and bridges, are not capitalized. Property, plant and equipment acquired or constructed for general governmental operations is recorded as an expenditure in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group. General Fixed Assets are not depreciated.

Property, plant and equipment acquired for proprietary funds is capitalized in the respective fund to which it applies.

Property, plant and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost or estimated value established by Township officials was used to record the estimated value of the assets.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. Depreciation on

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

assets acquired by grants externally restricted for capital construction is accounted for as a reduction of contributed capital rather than as a decrease in retained earnings.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Utility Plants and Buildings	40-50 Years
Equipment	5-20 Years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accumulated Absences

At the present time, the Township has one employee that can accumulate vacation time and sick leave.

Vacation time accumulates at the rate of 160 hours per year. The General fund has \$1,236 of accumulated liability for accrued vacation pay as of March 31, 2004. Proprietary fund types accrue sick and vacation benefits in the period there earned. As of March 31, 2003 there is no material liability for sick and vacation benefits in the proprietary funds.

Sick leave is accumulated at a rate of one day per month. It is accounted for in the Long Term Debt Account Group which has a liability of \$263 as of March 31, 2004.

Total Columns on Combined Financial Statement-Expenditures

The Total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land and Buildings	\$ 105,196			\$ 105,196
Furniture, fixtures, books and equipment	346,405	\$ 1,810	\$2,000	346,215
	\$ 451,601	\$ 1,810	\$2,000	\$ 451,411

NOTE C - WATER SUPPLY SYSTEM REVENUE BONDS

The construction and installation in 1974 of a domestic water system servicing the community of Ewen was financed by the issuance and sale of \$195,000 1974 Water Supply System Revenue bonds and by an \$85,000 grant from the Farmers Home Administration. Principal and interest are payable from the income and revenues derived from operation of the water supply system.

The unamortized cost of the original water supply system has not been recorded on the books of account because the amount is not determinable but it is believed to be nominal.

Data relevant to water fund revenue bonds at March 31, 2004, were as follows:

Date of issue - 1974
Amount of original issue - \$195,000
Outstanding at March 31, 2003 - \$80,000
Interest rate - 5%
Interest dates - January 1 and July 1
Principal payment date - January 1
Payments on principal during year ended March 31, 2005
- \$8,000

Debt service charges until maturity are as follows:

Year ending March 31,	Amount Payable Each Year	Total
2005	8,000	\$ 8,000
2006-2013	8,000	64,000
		\$72,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - WATER SUPPLY SYSTEM REVENUE BONDS (CONTINUED)

Under a revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2004:

	<u>Required Reserve at March 31, 2004</u>	<u>Balance at March 31, 2004</u>
Bonds and Interest		
Redemption Fund	\$11,450	\$19,791
General Purpose Account	\$10,000	\$28,050

NOTE D - WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS

In 1996 the Township began construction work on improvements to the water supply system. The improvements were financed by the issuance of Revenue Bonds totaling \$283,000 and a grant of \$846,000 from Rural Economic Development of the U.S. Department of Agriculture.

Data relative to the 1996 Water Supply System Junior Lien Revenue Bonds at March 31, 2004:

Date of Issue:	June 20, 1996
Amount of Original Issue:	Series A 253,000
	Series B <u>30,000</u>
	Total 283,000

Outstanding March 31, 2004: \$260,500

Interest Rate: 4.5%

Interest Dates: June 1 and December 1

Principal Payment Dated: December 1

Payment on principal during year ended March 31, 2005:

Series A	4,000
Series B	500

Bonds are subject to redemption prior to maturity on any interest payment date in reverse numeric order.

These bonds are self liquidation bonds and are not a general obligation of McMillan Township, but are payable solely from the revenue of the system.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - WATER SUPPLY SYSTEM JUNIOR REVENUE BONDS (CONTINUED)

Debt service charges until maturity are as follows:

Year Ended	Principal		Interest	Total
<u>March 31</u>	<u>Series A</u>	<u>Series B</u>		
2005	4,000	500	11,520	16,020
2006	4,000	500	11,317	15,817
2007	4,000	500	11,115	15,615
2008	4,000	500	10,912	15,412
2009	4,000	500	10,710	15,210
2010	4,000	500	10,507	15,007
2011	4,000	500	10,305	14,805
2012	4,000	500	10,103	14,603
2013	4,000	500	9,900	14,400
2014	5,000	500	9,697	15,197
2015	5,000	500	9,450	14,950
2016	5,000	500	9,203	14,703
2017	5,000	500	8,955	14,455
2018	5,000	1,000	8,707	14,707
2019	7,000	1,000	8,438	16,438
2020	7,000	1,000	8,077	16,077
2021	8,000	1,000	7,718	16,718
2022	8,000	1,000	7,312	16,312
2023	8,000	1,000	6,908	15,908
2024	8,000	1,000	6,502	15,502
2025	8,000	1,000	6,098	15,098
2026	8,000	1,000	5,692	14,692
2027	9,000	1,000	5,288	15,288
2028	9,000	1,000	4,837	14,837
2029	10,000	1,000	4,388	15,388
2030	10,000	1,000	3,892	14,892
2031	10,000	1,000	3,398	14,398
2032	11,000	1,000	2,902	14,902
2033	11,000	1,000	2,363	14,363
2034	12,000	1,000	1,823	14,823
2035	12,000	1,000	1,238	14,238
2036	13,000	1,500	652	15,152
Totals	230,000	26,000	229,927	485,927

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BONDS (CONTINUED)

Under the revenue bond ordinance adopted by the proprietary fund, the Water Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2004:

	Required Reserve	Balance
	March 31, 2004	March 31, 2004
Junior Lien Bonds Bond and Interest Redemption Fund	\$3,880	\$3,884
Junior Lien Bonds Reserve Fund	\$13,736	\$10,406

NOTE E - SEWAGE DISPOSAL BONDS

On April 9, 1998 McMillan Township issued Sanitary Sewage Disposal System Revenue Bonds, Series 1998. Data relevant to the bonds is as follows:

Date of Issue: April 9, 1998
 Amount of original issues: \$100,000
 Interest Rate: 4.75%
 Interest payment dates: March 1 and September 1
 Principal payment date: March 1
 Payment on principal
 during year ended March 31, 2005: \$1,000

This bond is subject to redemption prior to maturity on any interest payment date in inverse chronological order.

This is a self liquidating bond and is not a general obligation of McMillan Township, but is payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	1,000	4,465	5,465
2006	1,000	4,417	5,417
2007	1,000	4,370	5,370
2008	1,000	4,323	5,323
2009	1,000	4,275	5,275
2010	2,000	4,227	6,227
2011	1,000	4,133	5,133
2012	2,000	4,085	6,085

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - SEWAGE DISPOSAL BONDS (CONTINUED)

<u>Year ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1,000	3,990	4,990
2014	2,000	3,942	5,942
2015	2,000	3,848	5,848
2016	2,000	3,752	5,752
2017	2,000	3,658	5,658
2018	2,000	3,562	5,562
2019	2,000	3,468	5,468
2020	2,000	3,372	5,372
2021	3,000	3,278	6,278
2022	2,000	3,135	5,135
2023	3,000	3,040	6,040
2024	3,000	2,897	5,897
2025	3,000	2,755	5,755
2026	3,000	2,613	5,613
2027	3,000	2,470	5,470
2028	3,000	2,327	5,327
2029	4,000	2,185	6,185
2030	3,000	1,995	4,995
2031	4,000	1,853	5,853
2032	4,000	1,662	5,662
2033	4,000	1,473	5,473
2034	5,000	1,282	6,282
2035	4,000	1,045	5,045
2036	5,000	855	5,855
2037	5,000	618	5,618
2038	<u>8,000</u>	<u>380</u>	<u>8,380</u>
TOTALS	<u>\$94,000</u>	<u>\$ 99,750</u>	<u>\$193,750</u>

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2004.

	<u>Required Reserve</u>	<u>Balance</u>
	<u>March 31, 2003</u>	<u>March 31, 2003</u>
Interest Redemption Fund	\$ 1,366	\$1,402
Bond Reserve Fund	\$ 1,350	\$2,250

NOTE F - SEWAGE DISPOSAL JUNIOR LIEN BONDS

In 2003 the Township began work on improvements to the sewage disposal system. The improvements were financed by the issuance of Revenue Bonds totaling \$464,000 and a grant of \$1,028,000 from Rural Development of the U.S. Department of Agriculture.

Data relative to the 2003 Sanitary Sewage Disposal System Junior Lien Revenue Bonds at March 31, 2004:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - SEWAGE DISPOSAL JUNIOR LIEN BONDS (CONTINUED)

Date of Issue: June 25, 2003

Amount of Original Issue: Series A	\$414,000
Series B	<u>50,000</u>
Total	\$464,000

Outstanding March 31, 2004: \$464,000

Interest Rate: 4.5%

Interest Dates: June 1 and December 1

Principal Payment Dated: June 1

Payment on principal during year ended March 31, 2005

Series A \$4,000

Series B \$ 500

Bonds are subject to redemption prior to maturity in reverse numeric order.

These bonds are self liquidating bonds and are not a general obligation of McMillan Township, but are payable solely from the revenue of the system.

Debt service charges until maturity are as follows:

Year Ended	Principal		Interest	Total
<u>March 31</u>	<u>Series A</u>	<u>Series B</u>		
2005	4,000	500	20,880	25,380
2006	4,000	500	20,678	25,178
2007	4,000	500	20,476	24,976
2008	4,000	500	20,274	24,774
2009	5,000	600	20,070	25,670
2010	5,000	600	19,820	25,420
2011	5,000	600	19,566	25,166
2012	5,000	600	19,316	24,916
2013	5,000	700	19,062	24,762
2014	6,000	700	18,808	25,508
2015	6,000	700	18,506	25,206
2016	6,000	800	18,204	25,004
2017	7,000	800	17,898	25,698
2018	7,000	800	17,546	25,346
2019	7,000	900	17,196	25,096
2020	7,000	900	16,840	24,740
2021	8,000	900	16,486	25,386
2022	8,000	1,000	16,084	25,084
2023	9,000	1,000	15,680	25,680
2024	9,000	1,100	15,228	25,328
2025	9,000	1,100	14,776	24,876
2026	10,000	1,200	14,320	25,520
2027	10,000	1,200	13,816	25,016
2028	11,000	1,300	13,312	25,612
2029	11,000	1,300	12,760	25,060
2030	12,000	1,400	12,204	25,604

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - SEWAGE DISPOSAL JUNIOR LIEN BONDS (CONTINUED)

2031	12,000	1,500	11,602	25,102
2032	13,000	1,500	10,994	25,494
2033	13,000	1,600	10,342	24,942
2034	14,000	1,700	9,684	25,384
2035	14,000	1,700	8,978	24,678
2036	15,000	1,800	8,272	25,072
2037	16,000	1,900	7,516	25,416
2038	17,000	2,000	6,712	25,712
2039	17,000	2,100	5,856	24,956
2040	18,000	2,200	4,996	25,196
2041	19,000	2,300	4,088	25,388
2042	20,000	2,400	3,128	25,528
2043	21,000	2,500	2,120	25,620
2044	21,000	2,600	1,064	24,664
Totals	<u>414,000</u>	<u>50,000</u>	<u>545,158</u>	<u>1,009,158</u>

Under the revenue bond ordinance adopted by the proprietary fund, the Sewer Fund is required to segregate receipts to establish required reserve accounts. Following is a summary of required reserves and funding levels at March 31, 2004:

	Required Reserve March 31, 2004	Balance March 31, 2004
Bond Reserve Account	\$3,450	\$3,450
Repair, Replacement and Improvement Fund	\$2,325	\$2,325

NOTE G - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 804	Sewer	16,861
Water	16,861	Tax	804
Sewer		Water	
Special Revenue		General	
	<u>\$ 17,665</u>		<u>\$ 17,665</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - PUBLIC ACT 275 OF 1980 DISCLOSURE

As of March 31, 2004 the Township General Fund has a deficit of \$15,395

NOTE I - PROPERTY TAXES

Property taxes are levied on December 1 based on the taxable value of property as listed on the previous December 31. Property taxes become delinquent on March 1.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. The delinquent real property taxes of the Township are purchased annually by the County of Ontonagon.

A summary of the 2003 tax roll follows:

		Taxes Returned		Net Tax
	<u>Mills</u>	<u>Levy</u>	<u>Delinquent</u>	<u>Collection</u>
County	12.4956	\$117,322	\$13,419	\$103,903
State Education Tax	5.000	46,958	3,453	43,505
School	28.212	180,518	17,274	163,244
Intermediate School District	3.41	32,018	3,665	28,353
Township & Ambulance	<u>5.8091</u>	<u>54,554</u>	<u>6,246</u>	<u>48,308</u>
Totals	54.9267	\$431,370	\$44,057	\$387,313

Taxable Valuation

Homestead	\$4,982,787
Non-homestead	<u>4,764,170</u>
Total	\$9,746,957

NOTE J - UTILITY PLANT IN SERVICE

A summary of utility plant in service at March 31, 2004:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Estimated</u>
	<u>Fund</u>	<u>Fund</u>		<u>Useful</u>
				<u>Lives</u>
Water wells, storage tank and distribution system	\$ 352,395		\$ 352,395	50 years
Water system additions	1,126,009		1,126,009	40 years
Equipment-Tractor	49,300		49,300	10 years
Water storage building	24,042		24,042	40 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J - UTILITY PLANT IN SERVICE (CONTINUED)

Sewage collection				
mains and treatment				
facilities	574,097	574,097	50 years	
Sewage system additions	<u>1,513,452</u>	<u>513,452</u>	50 years	
Total cost	\$1,551,746	\$2,087,549	\$3,639,295	

Less allowance for				
depreciation	<u>368,044</u>	<u>248,437</u>	<u>616,481</u>	

Net carrying amount \$1,183,702 \$1,839,112 \$3,022,814

Depreciation is computed using the straight-line method.

NOTE K - PROPRIETARY FUND-TYPE CASH

The cash balance for enterprise funds includes \$43,508 in bond and interest redemption accounts and \$28,050 in a General Purpose account. The accounts are restricted for payment of revenue bond principle, interest and expenses.

NOTE L - DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes McMillan Township of Ewen to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; Commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase and which involve no more than 50% of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

McMillan Township of Ewen has designated one bank for the deposit of funds. The township's investments are in accordance with statutory authority.

The Governmental Accounting Standards Board statement No.3

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - DEPOSITS (CONTINUED)

risk disclosures for the Township's cash deposits are as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Fund</u>
Insured - FDIC	165,209	167,578	All Funds
Uninsured - Uncollateralized	<u>64,366</u>	<u>64,366</u>	All Funds
	229,575	231,944	

NOTE L - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintains two Enterprise Funds, a Water Fund and a Sewer Fund. Segment information for the year ended March 31, 2004 was as follows:

Enterprise

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Fund Totals</u>
Operating revenues	\$ 73,239	\$ 62,477	\$135,716
Depreciation expense	40,635	16,679	57,314
Operating income (loss)	4,178	15,758	19,936
Restricted donations & operating grants	-0-	-0-	-0-
Operating transfers in (out)	-0-	-0-	-0-
Tax revenues	-0-	-0-	-0-
Increase (decrease) in retained earnings	4,293	5,938	10,231
Current capital contributions	-0-	-0-	-0-
Land, buildings & equip: Additions	-0-	-0-	-0-
Deletions	-0-	-0-	-0-
Net increase(decrease) in cash flows	64,823	33,277	98,100

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Enterprise Fund Totals</u>
Long-term debt - payable from operating revenues (including portion payable within one year)	328,000	558,000	886,000
Retained earnings	246,106	132,298	384,404

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N - ACCOUNTS RECEIVABLE

Accounts receivable and related allowances for uncollectibles are as follows:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$ 1,419	\$ 0	\$ 1,419
Water Fund	18,523	0	18,523
Sewer Fund	<u>18,322</u>	<u>0</u>	<u>18,322</u>
	\$38,264	\$ 0	\$38,264

NOTE O - PENSIONS AND OTHER EMPLOYEE BENEFIT PLANS

The Township does not cover any employees under a pension plan. No township employees are eligible for postemployment benefits other than pension benefits, and the township does not have a deferred compensation plan for any of its employees.

NOTE P - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$2,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and Claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004, will not materially affect the financial condition of the Township. Therefore, the General fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE Q - CHANGES IN LONG TERM DEBT - ALL FUNDS

Long Term Debt - All Funds	2003	2004	Change
Current Portion	\$17,700	\$ 18,000	\$ 300
Non Current Portion	<u>422,000</u>	<u>868,000</u>	<u>\$446,000</u>
Total	\$455,400	\$886,000	\$446,300

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R - BUDGET AND BUDGETARY COMPLIANCE

In the body of the financial statements, McMillan Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Charter Township of these budgetary funds were adopted to the activity level.

McMillan Township has not complied with all the provisions of P.A. 621 of 1978.

The Act provides that the budget must be amended whenever actual revenues are less than budgeted amounts or expenditures exceed budgeted amounts at the level of the adopted budget.

Budget variances of this nature which are material are shown on the following pages.

General Fund	Page 12
Special Revenue Funds.	Page 12

COMBINING
AND
INDIVIDUAL
FUND
FINANCIAL
STATEMENTS

STATEMENT OF REVENUES AND COMPARISON WITH BUDGET - GENERAL FUND
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Taxes:			
Current Property Taxes:			
Real and Personal		\$49,761	
Commercial Forest Reserve		625	
Payment in Lieu of Tax		14,012	
		64,398	
Delinquent Property Taxes:			
Real and Personal		494	
Property Tax Administration Fees		4,894	
	\$64,000	\$69,786	\$5,786
Building Permits	1,890	2,297	407
State Grants:			
Revenue Sharing		50,078	
Library Aid		360	
Liquor Enforcement		426	
Senior Center		567	
	52,000	51,431	(569)
Federal Grants:			
Fire Truck			
Charges for Services:			
Lewis Jensen Cemetery Trust Fund		760	
Fire Department		700	
Cemetery		775	
Library			
Miscellaneous			
	2,000	2,235	235
Library Penal Fines	28,000	23,183	(4,817)
Interest and Rents:			
Interest Earned			
Rents		600	
		\$600	\$600

STATEMENT OF REVENUES AND COMPARISON WITH BUDGET-GENERAL FUND (CONT.)

TOWNSHIP OF McMILLAN

Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Other Revenues:			
Library Contributions			
Reimbursements		3,202	
Miscellaneous		2,603	
	2,800	5,805	3,005
TOTAL REVENUES	150,690	155,337	4,647
Other Financing Source - Operating Transfers in			
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$150,690	\$155,337	\$4,647

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET-GENERAL FUND
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries and Fringes		\$2,100	
Supplies			
Contracted Services			
Advertising			
Insurance			
Miscellaneous			
TOTAL LEGISLATIVE	\$1,800	2,100	(\$300)
GENERAL GOVERNMENT			
Supervisor:			
Salary and Fringes		5,928	
Mileage		600	
Telephone			
	7,200	6,728	472
Assessor:	7,200	6,318	882
Clerk:			
Salary and Fringes		8,100	
Office Supplies		706	
Telephone		526	
Travel		831	
Insurance and Bonds			
Capital Outlay			
	10,000	10,163	(163)
Treasurer:			
Salary and Fringes		5,509	
Office Supplies		1,016	
Printing and Publishing		987	
Travel		650	
Contracted Services		1,562	
	8,600	9,724	(1,124)
Board of Review:	1,100	740	360

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET-GENERAL FUND (CONT.)
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Townhall:			
Salaries, Wages and Fringes		1,720	
Contracted Services		282	
Supplies		577	
Insurance			
Utilities		2,941	
Copy Machine Expense			
Miscellaneous			
Capital Outlay			
	4,200	5,520	(1,320)
Elections:		16	(16)
Attorney:			
Cemetery:			
Wages and Fringes		575	
Operating Supplies		1,492	
Repairs and Maintenance			
Insurance			
Contracted Services		493	
Miscellaneous			
	2,500	2,560	(60)
TOTAL GENERAL GOVERNMENT	40,800	41,769	(969)
PUBLIC SAFETY			
Fire Department:			
Salaries, Wages and Fringes		2,530	
Operating Supplies		2,996	
Telephone		1,148	
Utilities		2,737	
Insurance		1,233	
Travel			
Hydrant Rental		3,600	
Repairs and Maintenance		1,184	
Capital Outlay		7,000	
	21,000	22,428	(1,428)

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET-GENERAL FUND (CONT.)

TOWNSHIP OF McMILLAN

Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
PUBLIC SAFETY (CONTINUED)			
Building Inspector:	2,000	2,188	(188)
Liquor Law Enforcement:	600	600	
Zoning Board:		73	(73)
TOTAL PUBLIC SAFETY	23,600	25,289	(1,689)
PUBLIC WORKS			
Department of Public Works:			
Wages and Fringes		5,941	
Supplies		311	
Contracted Services		3,807	
Transportation		4,200	
Insurance		4,625	
Utilities		345	
Miscellaneous		927	
Capital Outlay			
Total Dept of Public Works:	25,000	20,156	4,844
Roads and Bridges:		14,814	(14,814)
Garbage Removal:		1,409	(1,409)
Street Lighting:	7,200	9,701	(2,501)
TOTAL PUBLIC WORKS	32,200	46,080	(13,880)
RECREATION AND CULTURAL			
Senior Citizens Center:			
Repairs and Maintenance Supplies		230	
Utilities		6,721	
	5,500	6,951	(1,451)
Load of Logs Park:			
Operating Supplies			
Repairs and Maintenance			
Utilities		15	
		15	(15)

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET-GENERAL FUND (CONT.)
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
RECREATION AND CULTURAL (CONTINUED)			
Library:			
Salaries, Wages and Fringes		12,579	
Contracted Services		2,505	
Supplies		621	
Books and Subscriptions		3,711	
Travel		973	
Utilities		2,130	
Capital Outlay			
Insurance		617	
Telephone		778	
Miscellaneous			
	23,500	23,914	(414)
TOTAL RECREATION AND CULTURAL	29,000	30,880	(1,880)
OTHER FUNCTIONS			
General Labor-FICA		3,813	
Insurance-Hospitalization Insurance		9,663	
Other			
TOTAL OTHER FUNCTIONS	11,000	13,476	(2,476)
TOTAL EXPENDITURES	\$138,400	\$159,594	(\$21,194)

COMBINING BALANCE SHEET - ENTERPRISE FUNDS
TOWNSHIP OF McMILLAN

	March 31, 2004			March 31, 2003		
	Water Fund	Sewer Fund	Total	Water Fund	Sewer Fund	Total
	ASSETS			ASSETS		
CURRENT ASSETS						
Cash:						
Demand Deposits and Savings	\$78,760	\$45,901	124,661	\$17,883	\$18,399	\$36,282
Customer Accounts Receivable:						
Current	12,135	11,990	24,125	12,850	8,700	21,550
Delinquent	4,673	4,617	9,290	8,872	6,558	15,430
Other	1,715	1,715	3,430			
Due from Other Funds	16,861		16,861	79,764	873	80,637
TOTAL CURRENT ASSETS	114,144	64,223	178,367	119,369	34,530	153,899
UTILITY PLANT IN SERVICE	1,551,746	2,087,549	3,639,295	1,540,481	674,992	2,215,473
Less Allowance for Depreciation	368,044	248,437	616,481	327,409	231,758	559,167
	1,183,702	1,839,112	3,022,814	1,213,072	443,234	1,656,306
Construction in Progress		34,000	34,000		143,857	143,857
	1,183,702	1,873,112	3,056,814	1,213,072	587,091	1,800,163
OTHER ASSETS						
Restricted Cash:						
Bond Reserve Account	34,081	9,427	43,508	30,354	3,652	34,006
General Purpose Account	28,050		28,050	27,831		27,831
	62,131	9,427	71,558	58,185	3,652	61,837
TOTAL ASSETS	\$1,359,977	\$1,946,762	\$3,306,739	\$1,390,626	\$625,273	\$2,015,899

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COMBINING STATEMENT OF REVENUES, EXPENSES AND
ENTERPRISE
TOWNSHIP OF

	Year Water Fund	ended March 31, 2004 Sewer Fund	Total
Operating Revenues:			
Charges to Customers	\$69,639	\$62,477	\$132,116
Hydrant Rental	3,600		3,600
Other			
	73,239	62,477	135,716
Operating Expenses:			
Salaries and Wages	8,026	10,011	18,037
Employee Benefits	614	766	1,380
Supplies	8,147	1,315	9,462
Repairs	4,261	2,188	6,449
Outside Services	5,712	2,289	8,001
Utilities	4,138	8,480	12,618
Provision for Depreciation	40,635	16,679	57,314
Insurance and Bonds	4,266	4,244	8,510
Collection Fees	74	82	156
Travel	22	500	522
Other	1,522	165	1,687
	77,417	46,719	124,136
OPERATING INCOME (LOSS)	(4,178)	15,758	11,580
Other Income:			
Interest Earned	368	41	409
	368	41	409
	(3,810)	15,799	11,989
Other Deduction - Interest on Long-Term Debt	15,547	19,000	34,547
NET INCOME (LOSS)	(19,357)	(3,201)	(22,558)
Add deprec. on utility plant assets acquired by extern. restricted grants	23,650	9,139	32,789
INCREASE (DECREASE) IN RETAINED EARNINGS	4,293	5,938	10,231
Retained earnings beginning of year	241,811	132,360	374,171
Prior Period Adjustment			
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	\$246,104	\$138,298	\$384,402

CHANGES IN RETAINED EARNINGS
FUNDS
McMILLAN

Year ended March 31, 2003		
Water Fund	Sewer Fund	Total
\$70,688 3,600	\$53,164	\$123,852 3,600
74,288	53,164	127,452
8,619	8,738	17,357
668	1,669	2,337
1,658	1,092	2,750
1,447	5,150	6,597
3,545	1,360	4,905
3,861	4,308	8,169
38,850	14,227	53,077
3,836	1,239	5,075
51	51	102
1,050	55	1,105
1,455	409	1,864
65,040	38,298	103,338
9,248	14,866	24,114
539	57	596
539	57	596
9,787	14,923	24,710
16,090	4,556	20,646
(6,303)	10,367	4,064
23,650	7,603	31,253
17,347	17,970	35,317
224,464	114,390	338,854
\$241,811	\$132,360	\$374,171
=====	=====	=====

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2004		
	Water Fund	Sewer Fund	Total
Cash Flows / Operating Activities:			
Cash Received from Customers	\$127,496	\$61,128	\$188,624
Hydrant Rental	3,600		3,600
Other Income			
Cash Paid to suppliers for goods and services and internal cash adjustment	27,329	81,553	108,882
NET CASH PROVIDED BY OPERATING ACTIVITIES	103,767	(20,425)	83,342
Cash Flows from Capital and Related Financing Activities:			
Construction Grant		912,361	912,361
Proceeds from Borrowing		464,000	464,000
Principal Paid on Revenue Bonds	(12,500)	(1,000)	(13,500)
Principal Paid on Note Payable			
Interest Paid	(15,547)	(19,000)	(34,547)
Construction on Utility Plant	(11,265)	(1,302,700)	(1,313,965)
NET CASH FROM (USED FOR) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(39,312)	53,661	14,349
Cash Flows from Investing Activities -			
Interest Earned	368	41	409
NET INCREASE (DECREASE) IN CASH	64,823	33,277	98,100
Cash at Beginning of Year	76,068	22,051	98,119
CASH AT END OF YEAR	\$140,891	\$55,328	\$196,219

- ENTERPRISE FUNDS
McMILLAN

Year ended March 31, 2003			
Water Fund	Sewer Fund	Total	
\$74,909 3,600	\$50,029	\$124,938 3,600	
74,177	4,233	78,410	
4,332	45,796	50,128	
(10,500)	(1,000)	(11,500)	
(16,090)	(4,556)	(20,646)	
(49,300)	(21,748)	(71,048)	
(75,890)	(27,304)	(103,194)	
539	57	596	
(71,019)	18,549	(52,470)	
147,087	3,502	150,589	
\$76,068	\$22,051	\$98,119	
=====	=====	=====	

COMBINING STATEMENT OF CASH FLOWS
TOWNSHIP OF

	Year ended March 31, 2004		
	Water Fund	Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(4,178)	15,758	11,580
Adjustments to Reconcile Operating Income(Loss)to Net Cash Provided by Operating Activities:			
Depreciation	40,635	16,679	57,314
(Increase)Decrease/Current Assets:			
Customer Accounts Receivable	3,199	(1,349)	1,850
Due from Other Funds	62,903	873	63,776
Increase(Decrease)/Current Liab.:			
Accounts Payable	1,410	28,759	30,169
Payroll & Related Withholdings	(27)	64	37
Due Other Funds/Interfund adjustment		(88,353)	(88,353)
Deferred Revenue			
Interest Payable	(175)	7,144	6,969
Decrease in Construction in Progress			
Total Adjustments	107,945	(36,183)	71,762
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$103,767	(\$20,425)	\$83,342

- ENTERPRISE FUNDS (CONTINUED)
McMILLAN

Year ended March 31, 2003			
Water Fund	Sewer Fund	Total	
9,248	14,866	24,114	
38,850	14,226	53,076	
4,221	(3,135)	1,086	
(47,631)	514	(47,117)	
(250)	(31,484)	(31,734)	
27	43	70	
	50,770	50,770	
(133)	(4)	(137)	
(4,916)	30,930	26,014	
\$4,332	\$45,796	\$50,128	
=====	=====	=====	

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-
TAX COLLECTION FUND
TOWNSHIP OF McMILLAN
Year ended March 31, 2004

	Balance at April 1, 2003	Additions	Deductions	Balance at March 31, 2004
Asset-Cash in Bank	\$2,782	\$401,506	\$403,484	\$804
Liabilities:				
Due McMillan Twp:				
General Fund	363	52,801	52,360	804
Sewer Fund	873	1,296	2,169	
Water Fund	1,181	1,296	2,477	
Due Ontonagon Cnty	161	180,538	180,699	
Due E-TC School	153	165,019	165,172	
Due Others	51	556	607	
	\$2,782	\$401,506	\$403,484	\$804

F E D E R A L A U D I T R E P O R T S

T O W N S H I P O F M C M I L L A N
F E D E R A L A U D I T R E P O R T S

For the Year Ended

M A R C H 3 1 , 2 0 0 4

TOWNSHIP OF MCMILLAN

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Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

I have audited the general purpose financial statements of McMillan Township of Ewen, as of and for the year ended March 31, 2004, and have issued my report thereon dated August 25, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether McMillan Township of Ewen's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. I also noted certain immaterial instances of noncompliance that I have reported to McMillan Township's management in a separate letter dated August 25, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered McMillan Township of Ewen's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected

within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to McMillan Township in a separate letter dated August 25, 2004.

This report is intended solely for the use of the audit committee, management, others within the organization and the Township Board and federal awarding agencies and pass through entities and is not intended to be and should not be used by any other parties. However, this report is a matter of public record and its distribution is not limited.

John J. Toman

Certified Public Accountant
Bergland, Michigan
August 25, 2004

Jon J. Tomasi, CPA
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

Compliance

I have audited the compliance of McMillan Township with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended March 31, 2004. McMillan Township's major federal programs are identified in the summary of Auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of McMillan Township Management. My responsibility is to express an opinion on McMillan Township's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McMillan Township's compliance with those requirements and performing such other procedures and I considered necessary in the circumstances. I believe that our audit provides a reasonable basis for my opinion. Our audit does not provide a legal determination on McMillan Township's compliance with those requirements.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

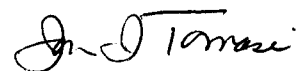
In my opinion, McMillan Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance

The management of McMillan Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered McMillan Township's internal control over compliance with requirements that could have a direct effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants, that would be material in relation to a major federal program being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JON J. TOMASI
Certified Public Accountant

Bergland, Michigan
August 25, 2004

TOWNSHIP OF MCMILLAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2004

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Program or Award Amount	Accrued Deferred Revenue April 1, 2003	Receipts or Revenue Recognized	Federal Expenditures	Accrued or Deferred Revenue March 31, 2004
U.S. Department of Agriculture Water Loan/Grant	10,760	\$1,492,000		\$1,385,500	\$1,385,500	
Total		\$1,492,000		\$1,385,500	\$1,385,500	

NOTES TO SCHEDULE EXPENDITURES OF FEDERAL AWARDS
TOWNSHIP OF MCMILLAN
For the Year Ended March 31, 2004

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the activity of McMillan Township federal award programs and presents transactions that are included in the financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

NOTE B - COST REPORTS

Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
TOWNSHIP OF MCMILLAN
For the Year Ended March 31, 2004

A. SUMMARY OF AUDITORS' RESULTS

1. The auditor's report expresses an unqualified opinion of the general purpose financial statements of McMillan Township.
2. There were no reportable conditions relating to the audit of the general purpose financial statements.
3. There were no instances of noncompliance material to the general purpose financial statements of McMillan Township.
4. There were no reportable conditions relating to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for McMillan Township expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for McMillan Township.
7. The program tested as a major program included:

CDFA No. 10-760 Water and Waste Water Disposal Systems for Rural Communities.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The McMillan Township was determined to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. There were no findings or questioned costs.

SUPPLEMENTAL
REPORTS

Jon J. Tomasi
Certified Public Accountant
208 Birch Street
Bergland, Michigan 49910

COMMENTS AND RECOMMENDATIONS LETTER

Supervisor and Members of the Board
McMillan Township
Ewen, Michigan

In connection with my audit of the financial statements of McMillan Township, for the year ended March 31, 2004, the following concerns regarding the accounting records, procedures, and internal accounting controls came to my attention and are presented for your consideration.

My comments are based upon conditions noted during my audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

General Fund Deficit

As of March 31, 2004 the Township has a General Fund budget deficit of \$15,395. It will be necessary for the Township to prepare a deficit elimination plan for the Michigan Department of Treasury showing how it plans to eliminate this deficit.

Budgets

The current Township budget is not prepared in sufficient detail to facilitate budgetary control. The Township should prepare a more detailed budget to enhance budgetary control, monitor the budget throughout the year and amend it when necessary.

Reserve Accounts

The Water and Sewer Funds are required to maintain various reserve accounts to satisfy bond indenture requirements. There are minor instances of noncompliance as detailed in the notes to the financial statements. The Township should more carefully monitor these deposit requirements to insure compliance with these bond indenture requirements.

Township Accounting System

As recommended in last years comments and recommendations letter the township has made progress in establishing a general ledger system and has recorded revenue and expenditure transactions as well as some balance sheet transactions. We recommend the township continue their efforts in this area and to include all balance sheet accounts including cash accounts. Also, cash accounts should

be reconciled monthly to the general ledger balances.

I appreciate the opportunity to present these comments and recommendations for your consideration and I am prepared to discuss them at your convenience. I would like to thank you for the excellent cooperation I received during my audit.

This report is intended solely for the use of management and other governmental regulatory agencies and should not be used for any other purpose.

John J. Tomasi

August 25, 2004

Certified Public Accountant